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SUBJECT: CHILEAN REACTION TO PRESIDENT OBAMA'S ANNOUNCEMENT ON TPP

REF: STATE 117729

11. (SBU) SUMMARY: Rodrigo Contreras, Director for Bilateral Relations at Chile's trade ministry equivalent (DIRECON) welcomed President Obama's announcement on joining the Trans-Pacific Partnership Agreement (TPP). He thought TPP could bring order to the mix of trade agreements in the Pacific region, and noted interest from Canada, Mexico, and Japan in the TPP. Contreras thought that Vietnam's participation in TPP discussions might be complicated, citing its inexperience in trade negotiations. END SUMMARY.

12. (U) In a December 2 meeting at the Chilean Ministry of Foreign Affairs, General Directorate for International Economic Affairs (DIRECON), E/Pol Counselor, Econoff, and Econ Specialist met with Director Contreras, Manuel Jose Prieto, Head of the North America Division, Sergio Valdes Araneda, Advisor for TPP in the Asia and Oceania Department, and Jeff Peet, U.S. Desk Officer.

Negotiations Can Return Order to "Spaghetti Bowl"

13. (SBU) E/Pol Counselor relayed ref points to Contreras, underlining the importance of President Obama's announcement, and asking for Chile's views on TPP's future. Contreras said Chile had carefully reviewed the President's speech and believes that the TPP announcement is especially significant for Chile and the other members of the P-4 (Brunei, Chile, New Zealand, and Singapore). He admitted the negotiations to expand TPP to include the U.S., Australia, Peru, and Vietnam will be a challenge. Contreras was optimistic, however, that this effort could eventually bring order to the "spaghetti bowl" of trade agreements in the Asia Pacific.

14. (SBU) Contreras said that Canada and Mexico had expressed interest in TPP. He noted Japan is "watching closely" as well.

Contreras speculated that if TPP successfully expands to 11 countries, the new agreement will consist of more than half the members of the Asia-Pacific Economic Cooperation (APEC). He implied that this could bring the region closer to a Free Trade Area of the Asia-Pacific. Contreras emphasized that TPP can become a profound agreement along the lines of the EU, given that all eight possible members share a common approach to trade, and in many cases share FTAs.

21st Century Template

15. (SBU) Contreras took note of the U.S.'s intent to use the TPP negotiations to establish a framework for 21st Century trade agreements. He said that many of the elements of interest identified by the U.S. are already included in existing trade agreements. Chile is prepared to examine those areas, but allowed that the challenge will be reaching agreement on the details.

Next Meeting in Melbourne

16. (SBU) Contreras explained TPP members and aspirants will likely meet in Melbourne, Australia in March 2010. Contreras said Chile hopes Melbourne will establish the modalities for future negotiation rounds. He emphasized it will be critical to extract as many results from the March meeting as possible.

No Problems with Peru, Vietnam May Be Complicated

17. (SBU) E/Pol Counselor asked about Chile's working relations with Peru and if they would affect TPP negotiations, given the recent spat between the two countries over charges of espionage. Contreras said these are "completely separate issues" and both countries are working to put the problems behind them. He insisted there is no friction on trade discussions at the working level between Chile and Peru. Contreras noted that at the height of recent tensions, the Chilean and Peruvian delegations interacted amicably at the APEC Summit in Singapore.

18. (SBU) Contreras told E/Pol Counselor that TPP negotiations with Vietnam might prove complicated. He explained that Chile is currently negotiating a trade agreement with Vietnam. Contreras opined that because Vietnam has relatively little experience with FTAs, the process has been long and complex, in part because of reluctance to commit to obligations for access for goods and services. In addition, Vietnam is largely unfamiliar with the non-trade chapters that are usually part of an FTA (e.g., environment).

Concerns About U.S. TPA and Colombia FTA

19. (SBU) Contreras admitted to E/Pol Counselor that Chile is concerned about the difficulties that could result should the Obama Administration pursue TPP negotiations without first securing Trade Promotion Authority (TPA) from the U.S. Congress. E/Pol Counselor explained the Obama Administration will consult with Congress as we move forward on TPP. He noted that the Administration will also work with Congress to move forward at an appropriate time on the legacy FTAs with Colombia, Panama, and South Korea.

¶10. (SBU) Contreras noted that Chile continues to support a U.S. FTA with Colombia. He explained that Chile favors the entry of nations like Colombia and Costa Rica into APEC and TPP. Contreras lamented the lack of a U.S. FTA with Colombia as a potential impediment to optimizing trade flows in the hemisphere.

SIMONS